

G-01551A-10-0458

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## ARIZONA CORPORATION COMMISSION

## UTILITY COMPLAINT FORM

2011 MAR 2 P 4:05

Investigator: Richard MartinezPhone:Fax:Priority: Respond Within Five DaysAZ CORP COMMISSION  
DOCKET CONTROLOpinion      No. 2011 - 93617Date: 3/1/2011Complaint Description:      08A Rate Case Items - Opposed  
N/A Not ApplicableFirst:Last:Complaint By:      James C.

Mettler

Account Name:      James C. MettlerHome: (000) 000-0000Street:Work:City:      TucsonCBR:State:      AZ      Zip: 85749is:Utility Company:      Southwest Gas CorporationDivision:      GasContact Name:Contact Phone: (Nature of Complaint:

(Docket No. G-01551A-10-0458)

Proposed rate increase made by Southwest Gas Corporation Impacting the greater Tucson Area

Comment:

The proposed rate increase by Southwest Gas Corporation by any measure should not be granted by the Arizona Corporation Commission for the following reasons:

o New commercial and residential development has been minimal in the greater Tucson area since the burst of the real estate bubble in 2006 - 2007. This condition has reduced the need for new gas distribution and infrastructure investment by SWGG. Going forward, there is no reason to assume the economy will return to the pre 2005 growth levels in the next 3 to 5 years thus the need for capital investment should be minimal.

o SWGC had indicated they need to off set revenue loss due to the gradual adoption of solar heating technology by residential and commercial customers. This is an occurrence that should have been foreseen by SWGC and the industry for many years. Provision should have been made by SWGC management to offset this slow market driven technology shift and SWGC customers should not be expected to off set this revenue loss via higher gas rates.

o The Commission knows the price of natural gas is driven by market supply and demand. The Department of Energy tracks energy prices and projects prices to the year 2015. Noted below is a summary of natural gas prices by major user segments; note the out year trend declines in most categories.

## 2009 \$/Million BTU

Sector	2008	2009	2010	2011	2012	2013	2014	2015
Residential	13.6	11.9	11.1	10.4	10.3	10.3	10.5	10.3
Commercial	12.0	9.7	9.0	9.2	9.0	8.8	8.6	8.6

Arizona Corporation Commission

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## UTILITY COMPLAINT FORM

Industrial 9.1 5.2 4.9 4.9 4.9 4.9 4.9 5.0

Source: <http://www.eia.doe.gov/ojaf/aeo/tablebrowser/#release=AEO2011&subject=0-AEO201&table=3-AEO2011&region=1-0&cases=ref2011-d120810c>

o Many customers have carefully conserved natural gas as a result of the economic down turn. These efforts have resulted in modestly lower annual demand for SWGC. Customers should not be penalized with price increases in order to offset the resulting decline in SWGC revenue. Many low and moderate income families do not have the ability to pay such a large increase as proposed by SWGC. Such a rate increase would entrench the SWGC strategy of seeking revenue increase via price hikes. The Arizona Corporation Commission needs to end this vicious cycle which leaves many SWGC residential customers deeper in debt

o Southwest Gas Corporation is a financially healthy company. A substantial rate increase should not be the answer to meet internal SWGC financial objectives. Management should focus on achieving desired improvements like other corporations by adding new services, driving productivity deploying new technologies.

	2010	2009
Operating Income	\$222,207	\$186,056
Gas Operations		
Contributions to Net Income		
(Loss) - Gas Operations	\$96,074	\$64,748
Contributions to Net Income	\$9,210	\$7,574
Net Income (Loss)	\$105,284	\$72,322
Basic Earnings (Loss)	\$2.33	\$1.63
Per Share		
Diluted Earnings (lose)	2.31	\$1.61
Per Share		

Source: 2009 Southwest Gas Companies Annual Report

o Stock holders as per the increase in the stock value for the past 12 months must be happy with the company's financial results:

(A chart from Bloomberg.com was included that illustrates that the stock price for Southwest Gas ("SWX") in March of 2010 through February of 2011 increased from about \$28 per share to about \$38 per share as our database system was not able to display this chart onto this Opinion form).

### Conclusion

When the key facts are reviewed it is clear a 9.26 % rate increase is not justified. As a six year SWGC customer I encourage the Arizona Corporation Commission to reject their latest rate increase request and seriously review the possibility of having them implement a rate reduction.

Submitted by  
James C. Mettler  
February 27, 2011  
\*End of Complaint\*

Utilities' Response:

ARIZONA CORPORATION COMMISSION  
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Investigator's Comments and Disposition:

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Emailed to Phoenix for docketing. FILE CLOSED.

\*End of Comments\*

Date Completed: 3/1/2011

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